

Annual Report

TO STOCKHOLDERS
SEPTEMBER 30, 1951

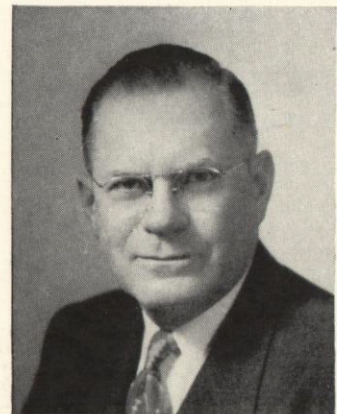
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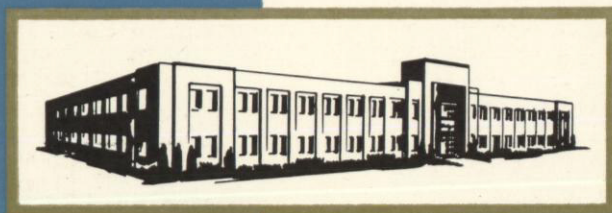
Walgreen DRUG STORES • 50TH YEAR

Walgreen Co.

DIRECTORS

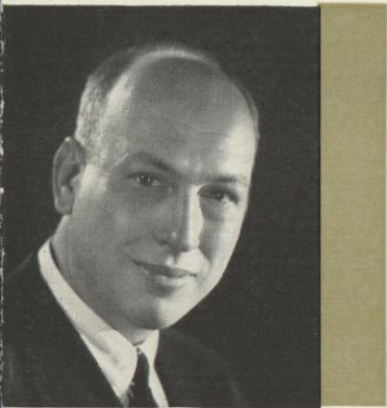


SANFORD J. BOWYER
Vice President

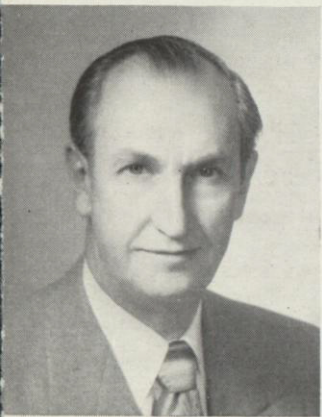


R. G. SCHMITT
Vice President
Secretary

O. G. GILE, *Assistant Secretary.*
W. W. LOW, *Assistant Treasurer.*
P. J. REDFORD, *Assistant Secretary.*
C. S. ZALEWSKI, *Comptroller.*



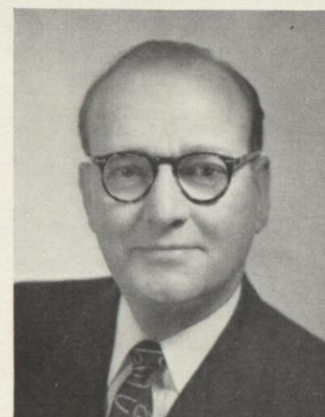
C. R. WALGREEN, JR.
President



H. TRACY FOWLER
Vice President



ROBERT G. KNIGHT
*Vice President
Treasurer*



BERT O. PINCH
*Assistant
Secretary*



A. L. STARSHAK
Vice President



R. E. WALKER
*Director,
Agency Division*



JAMES E. WARD
Vice President

M. W. PRATT,
Company General Auditor.

ARTHUR ANDERSEN & Co.,
Public Accountants and Auditors.

Transfer Agents—FIRST NATIONAL BANK
OF CHICAGO AND GUARANTY TRUST CO. OF NEW YORK.

Registrars—HARRIS TRUST & SAVINGS BANK OF CHICAGO
AND THE NATIONAL CITY BANK OF NEW YORK.

to Our Stockholders

Sales for our recently closed fiscal year were better than seven millions ahead of the previous year, constituting a modest but gratifying increase and a new all-time high.

Earnings before income taxes were about a million and a half more. Higher taxes, however, absorbed practically all of the additional income earned, so that earnings after taxes were barely above last year in dollar total. Earnings per share were \$2.83 as against \$2.70 last year. This increase was due to the elimination of dividend requirements on previously outstanding preferred stock.

As in the previous year, several new stores were opened, a number remodeled, some others for various reasons eliminated. Expenditures made for improvement to leaseholds, and written off against income, were, as predicted, near the same as for the previous year. They should be about the same



lders

again in this present fiscal year. The number of stores in operation at September 30 was 406, compared to 410 at the same date a year ago.

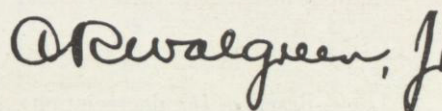
In June of this year we reached the fiftieth anniversary of the founding of our business in 1901, when my father opened one small drug store which did an annual business considerably less than the monthly volume of one of our average stores.

Many changes have occurred in all the phases of our national life since then. The changes in retail merchandising methods have been numerous, continuous, and substantial. They have been cumulatively so, and the pace of change in recent years has been swift. In the illustrations and their accompanying descriptions, which follow in this report, we have tried to give a few highlights of the way in which our company has paced the changes of a half century.

We have tried to emphasize the present developments, which will, we believe, enable us to face the future with assurance. We hope to continue to combine resourcefulness and an alertness to progress, with the steady growth and the stability which have characterized the half century just completed.

One of my father's favorite mottoes was "Don't rest on your laurels". I am pleased that we have a vigorous organization with an eye on the present and the future.

Sincerely,



President.

Chicago, November 24, 1951.

Walgreen Co. and Subsidiary Companies

COMPARATIVE BALANCE SHEET —

| ASSETS | | <u>1951</u> | <u>1950</u> |
|--|----------------------------|---------------------|---------------------|
| CURRENT ASSETS: | | | |
| Cash | | \$ 6,870,553 | \$ 7,373,782 |
| United States Government securities | | 45,700 | 1,052,654 |
| Accounts receivable, less reserves | | 1,789,853 | 1,551,236 |
| Inventories of merchandise, priced at the lower of cost or market, less reserves | | 24,530,457 | 21,565,881 |
| | TOTAL CURRENT ASSETS | <u>33,236,563</u> | <u>31,543,553</u> |
| PREPAID RENT, INSURANCE, TAXES, ETC. | | <u>1,100,517</u> | <u>877,549</u> |
| INVESTMENTS IN AND ADVANCES TO AFFILIATED AND OTHER COMPANIES, at cost | | <u>1,904,189</u> | <u>1,446,196</u> |
| FIXED ASSETS, at cost: | | | |
| Land | | 50,500 | 246,438 |
| Buildings (on owned and leased land) | | 1,612,676 | 1,508,940 |
| Equipment | | 17,105,393 | 15,648,100 |
| | | <u>18,768,569</u> | <u>17,403,478</u> |
| Less—Reserves for depreciation | | 8,262,029 | 8,103,295 |
| | TOTAL FIXED ASSETS | <u>10,506,540</u> | <u>9,300,183</u> |
| GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount | | <u>1</u> | <u>1</u> |
| | | <u>\$46,747,810</u> | <u>\$43,167,482</u> |

SEPTEMBER 30, 1951 AND 1950

LIABILITIES

| | <u>1951</u> | <u>1950</u> |
|--|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Trade accounts payable | \$ 5,420,116 | \$ 5,392,757 |
| Accrued expenses and other liabilities | 4,201,521 | 3,583,145 |
| Federal income taxes | 4,743,483 | 2,728,805 |
| Current maturity of 2½% note | 500,000 | 350,000 |
| | <hr/> | <hr/> |
| TOTAL CURRENT LIABILITIES | 14,865,120 | 12,054,707 |
| | <hr/> | <hr/> |
| 2½% NOTE, due August 15, 1960; amounts ranging from \$350,000 to \$500,000 due annually (current maturity included above) | 4,150,000 | 4,650,000 |
| | <hr/> | <hr/> |
| CAPITAL STOCK AND SURPLUS: | | |
| Common stock without par value— | | |
| Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares | 11,484,112 | 11,484,112 |
| Earned surplus, per accompanying statement | 16,248,578 | 14,978,663 |
| | <hr/> | <hr/> |
| TOTAL CAPITAL STOCK AND SURPLUS | 27,732,690 | 26,462,775 |
| | <hr/> | <hr/> |
| | <u>\$46,747,810</u> | <u>\$43,167,482</u> |

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF PROFIT AND LOSS For the Years Ended September 30, 1951 and 1950

| | <u>1951</u> | <u>1950</u> |
|---|---------------------|---------------------|
| SALES AND OTHER INCOME: | | |
| Net sales and other store income..... | \$170,539,418 | \$163,395,316 |
| Other income (net) | 204,578 | 238,495 |
| | <u>170,743,996</u> | <u>163,633,811</u> |
| COSTS AND DEDUCTIONS: | | |
| Cost of sales and of selling, occupancy and administration, except depreciation | 160,406,194 | 155,039,577 |
| Depreciation of buildings and equipment | 1,093,393 | 988,423 |
| Provision for contribution to employees' retirement pension trust | 970,000 | 814,000 |
| Improvements to leased properties | 523,397 | 551,889 |
| | <u>162,992,984</u> | <u>157,393,889</u> |
| INCOME BEFORE FEDERAL AND STATE INCOME TAXES..... | 7,751,012 | 6,239,922 |
| Provision for Federal and State income taxes (including \$370,000 for excess profits tax in 1951) | 4,090,000 | 2,580,000 |
| NET INCOME | <u>\$ 3,661,012</u> | <u>\$ 3,659,922</u> |

COMPARATIVE STATEMENT OF EARNED SURPLUS For the Years Ended September 30, 1951 and 1950

| | | |
|--|----------------------|----------------------|
| BALANCE BEGINNING OF YEAR | \$ 14,978,663 | \$ 13,994,411 |
| NET INCOME | 3,661,012 | 3,659,922 |
| | <u>18,639,675</u> | <u>17,654,333</u> |
| DEDUCT: | | |
| Dividends paid— | | |
| To common stockholders—\$1.85 per share | 2,391,097 | 2,391,097 |
| To preferred stockholders | — | 167,713 |
| Premium on preferred stock redeemed September 16, 1950 | — | 116,860 |
| | <u>2,391,097</u> | <u>2,675,670</u> |
| BALANCE AT END OF YEAR | <u>\$ 16,248,578</u> | <u>\$ 14,978,663</u> |

ARTHUR ANDERSEN & CO.

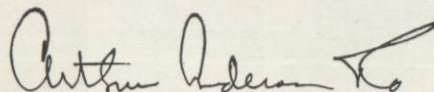
120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN Co.:

We have examined the consolidated balance sheet of WALGREEN Co. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1951, and the related statements of consolidated profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had previously made a similar examination for the year ended September 30, 1950.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of Walgreen Co. and subsidiary companies as of September 30, 1951, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, appearing to read "Arthur Andersen Co.", is positioned above the typed address and date.

Chicago, Illinois,

November 15, 1951.



Founder
Charles R. Walgreen, RPh.
1873-1939

50 Years of Retail

Our company's business was founded and developed on our unswerving belief in the principle that "retail stores that serve the public best, prosper most".

This was the basic pattern of performance initiated by Founder C. R. Walgreen in the operation of his first small Chicago drug store in 1901 and the formula we have followed through the ensuing 50 years.

In our business, the phrase "serve the public best" means not one, but many things. Service is customer convenience. Service is quality, variety, value in the goods we sell. Service is cleanliness and uninterrupted improvement in store lay-out, design and merchandising methods that save steps,



First store—4134 Cottage Grove Ave., Chicago—as it looked in 1901. Pattern for Walgreen growth born here.

Second store—3900 Cottage Grove—pioneered many important drug store innovations.

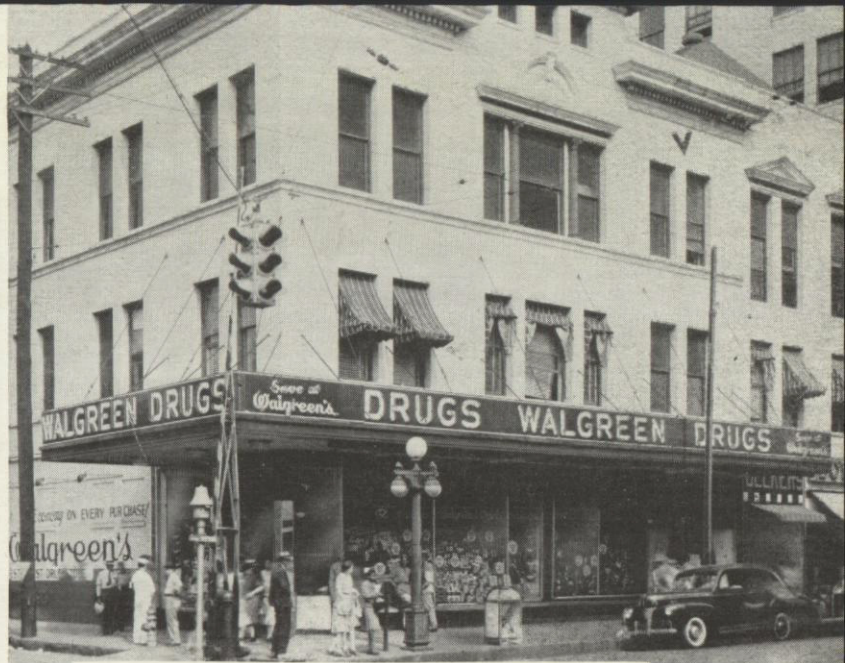


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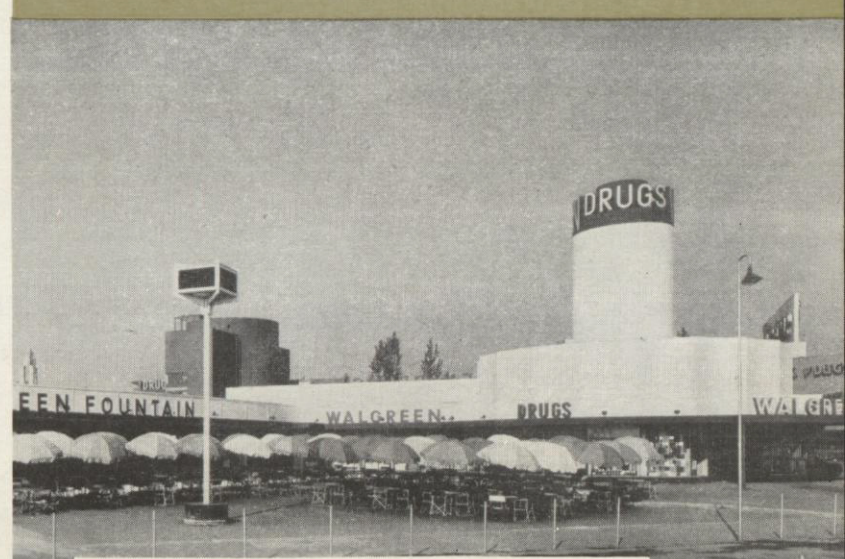
space, time, money. But above all, service is integrity and fair dealing.

Complete customer satisfaction requires careful consideration of every customer need. That is why not all Walgreen Drug Stores look alike—nor are they operated exactly alike. Our aim has always been to tailor-make each store to fit its community—its needs, requirements and sales potential. As people or their shopping habits change, so do we alter and improve our own methods. This is best exemplified by the fact that in the post-war period we opened 77 new stores in growing sales centers, completed 235 major store remodelings and scores of lesser improvements.

St. Louis store at 7374 Manchester, opened in 1927, is typical of its era.



Stores at Tampa, Fla. (above) and Duluth, Minn. (below) demonstrate trend toward larger floor space which began in early thirties.



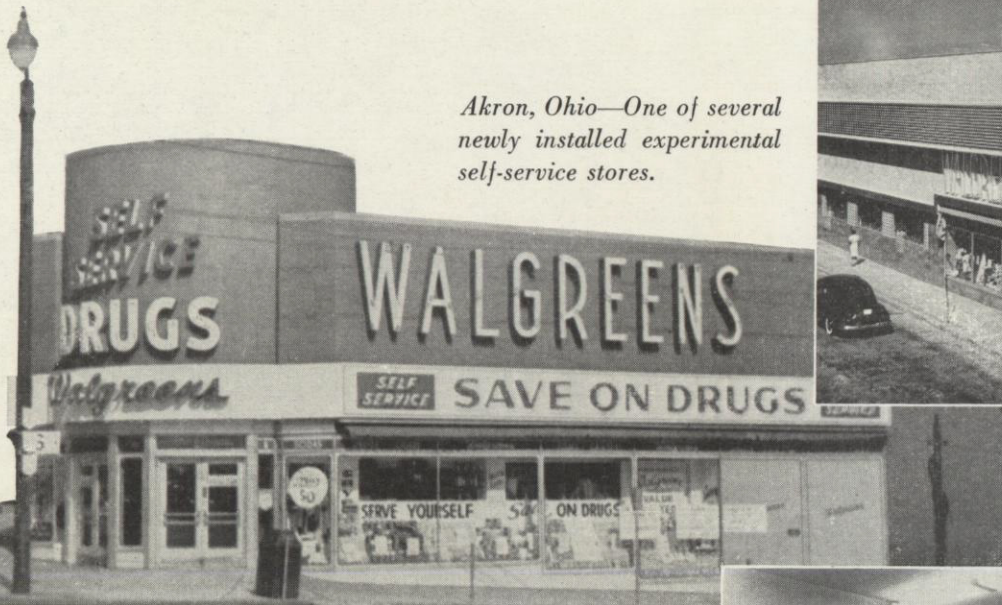
Walgreen operations at Century of Progress Exposition (1933-34) were striking example of streamlined drug stores to come.

Modern Walgreen Drug Stores are well located, attractive, inviting—outstanding in their communities. Our overall physical condition is more than abreast of the present. We are fully prepared for the future.



In Chicago—new Walgreen unit at “world’s busiest corner”—State and Madison Sts.

Akron, Ohio—One of several newly installed experimental self-service stores.



Typical modern Walgreen super store at W. Palm Beach, Fla.



We serve an average of over 6000 customers each day in our store in New York’s busy Bus Terminal building.



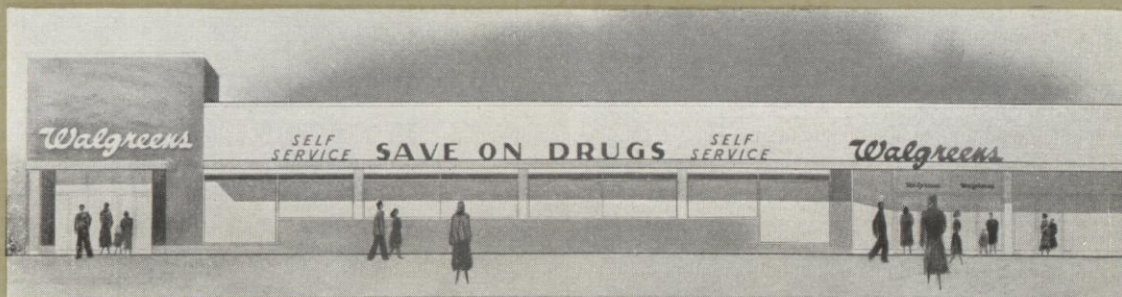
Mass display on self-serve counters encourage customers to buy. Interiors designed for easy and speedy shopping—help build volume at 801 16th St., Denver, Colo.



Pictured above: two views of our spacious new Oak Room Cafeteria at State and Randolph Sts., Chicago. Fine food, moderate prices, quick service, gracious surroundings are stressed.



Actively on the drawing board and expected to be opened soon are several large and important units located in major drive-in shopping developments; among them 95th St. and Western Ave., Chicago (above) and Wilmington, Del. (right).





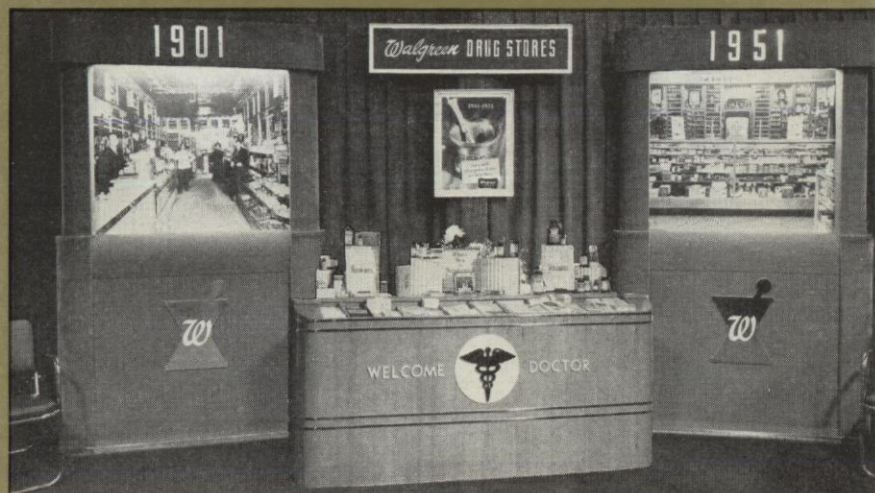
50 Years of Prescrip

Scientific progress of the past half-century has been faithfully mirrored in Walgreen Prescription Departments. Our Pharmacists are regularly alerted to keep pace with the forward march of medicine: information on new drugs and latest techniques is sent to all Walgreen Prescription Departments direct from our Professional Services Division. All branches of the medical profession now look to our stores as a logical source for the very newest drugs and supplies they may require for successful treatment of their patients.

The growth of both professional and public confidence in our prescription service is clearly reflected in the sub-

stantial increase in the volume of business handled by our Prescription Departments. During 1951, Walgreen Drug Stores will fill more than 4¼ million individual prescriptions, highest volume in our history. We expect this steady growth to continue.

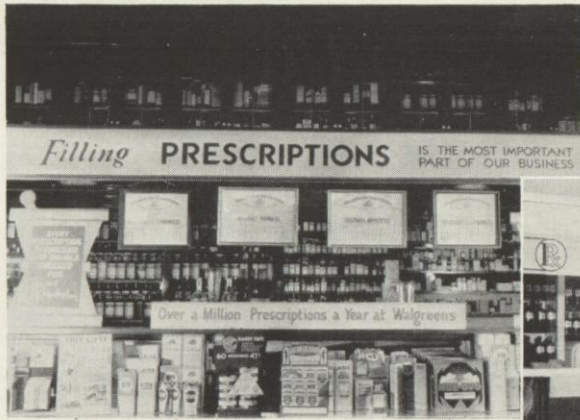
It was almost 50 years ago that Founder C. R. Walgreen described our prescription philosophy with the statement "Compounding prescriptions with the utmost care is the most important single thing in our business." Our management and our skilled Registered Pharmacists remain dedicated to that vital principle.



In professional journals we stress our skill and dependability to the 154,000 doctor readers each month.

A further aid to professional prestige, Traveling Exhibits such as this are displayed at most important medical conferences.

tions



1934. Rx Departments compounded 1,000,000 prescriptions. Annual volume has now more than quadrupled.



1946. Rx Departments show progressive advances in efficient design, trim professional appearance.

Modern Prescription Department of 1951 typifies newest facilities for professional service, stocks latest drugs available.





Manufacturing Operations Build



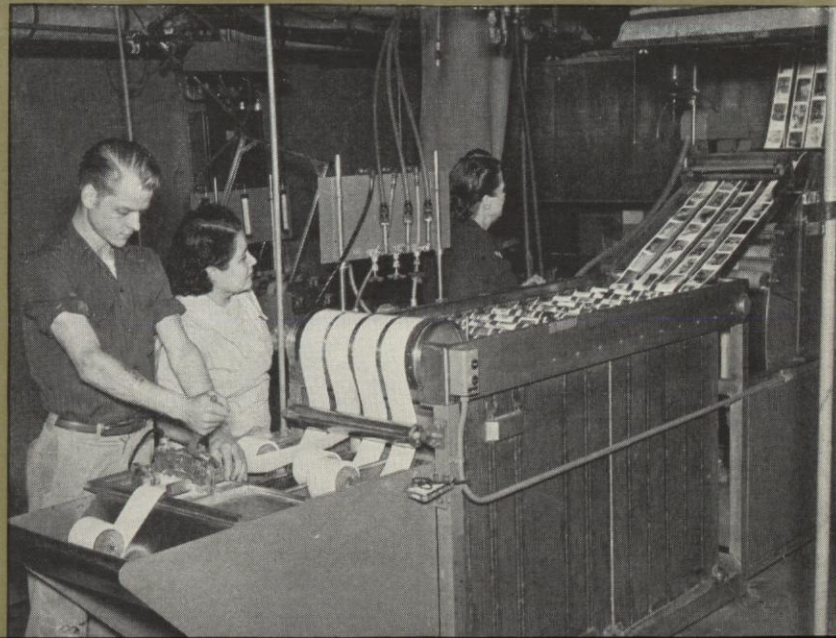
Your company now manufactures over 300 of the finest drug store items. These products represent the best quality, best value, that scientific research, painstaking care, ultramodern manufacturing methods can produce. They attract—and hold—consumer loyalty. And because this merchandise is distributed solely through Walgreen and Walgreen Agency Drug Stores, customers return to our stores to purchase them regularly, and in ever increasing volume.

The same high standards of preparation govern production of ice

Walgreen Products flow from Chicago Laboratory at rate of nearly two carloads daily.

Modern methods insure best possible product, moderate prices.

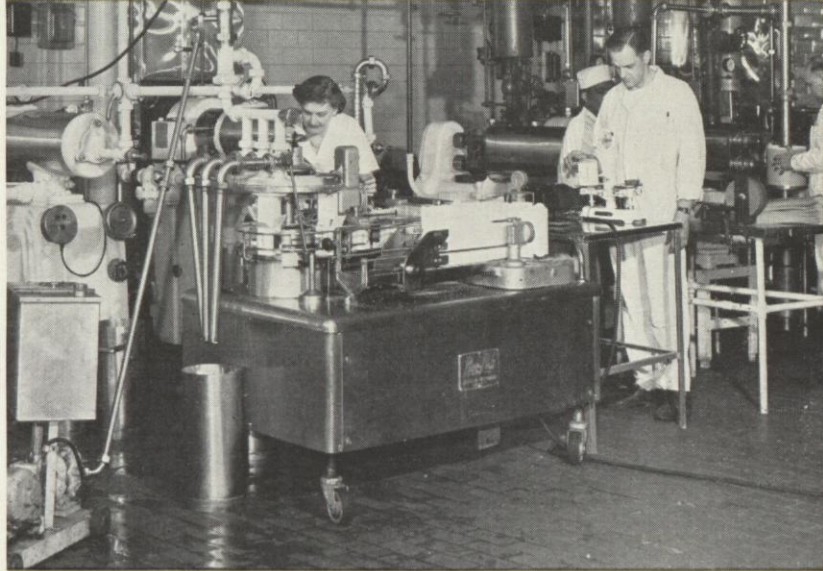
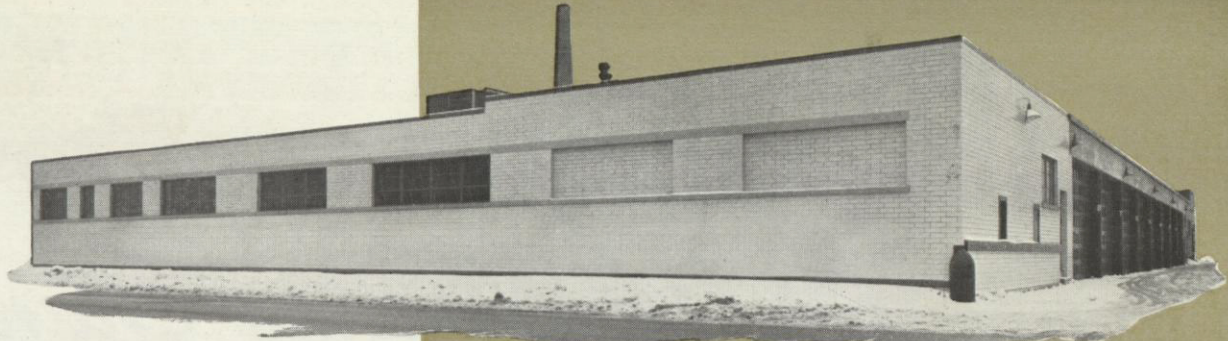
Thousands of rolls of film are handled daily by new Electric Photo Studio.



Business

cream, bakery goods and other Menu Specialties dispensed from our gleaming Walgreen Commissaries — a big factor in the development of our reputation as purveyors of fine food and refreshment.

These manufacturing activities each contribute directly to our overall ability to create and hold business in our stores in the face of expanding competition. Customers soon learn that many of their favorite drug store needs and taste treats are “exclusive with Walgreen’s”.

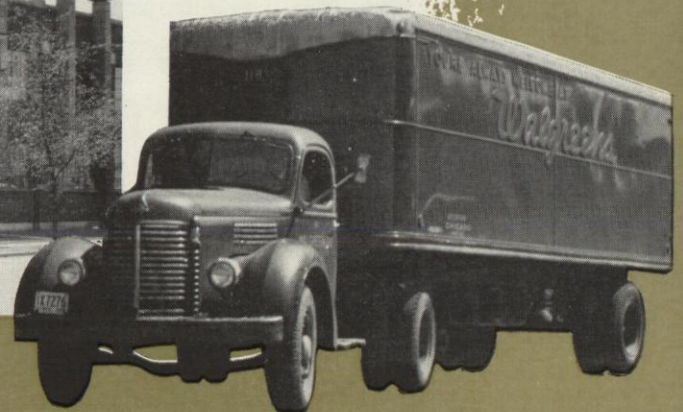
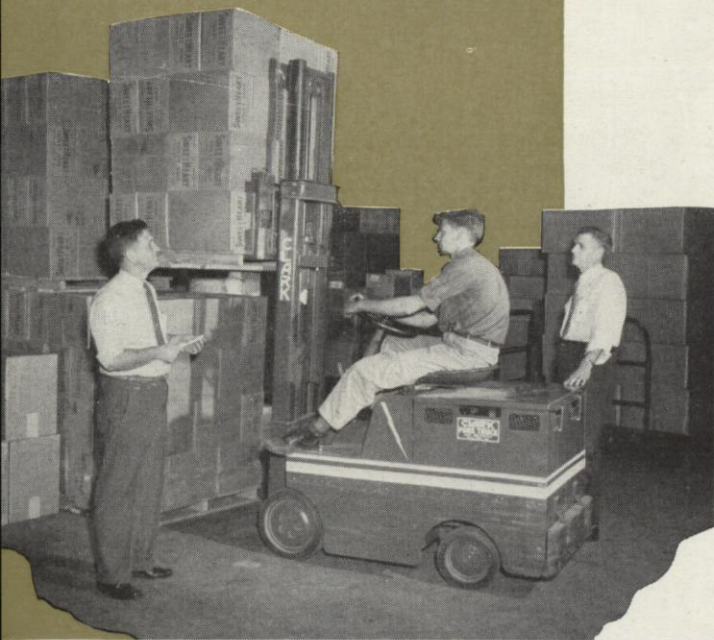


Gleaming Chicago Commissary (top) houses Ice Cream Dept. (center) and Bakery (above). Built with tiled walls, floors and exterior, the Commissary is a model for plants of its kind the country over.

Scientists check each production phase with care.

Warehousing Standard **Ever More Efficiency**

Twelve strategically located warehouses handled the thousands of items people all over the United States purchase through Walgreen Drug Stores. The daily average of merchandise moved comes to well over 250 tons . . . with a fleet of 60 trucks making deliveries to individual stores. The speed, efficiency and economy of this huge warehouse operation requires the most modern machinery, best methods and trained manpower. As in every phase of Walgreen merchandising, there is constant effort to further streamline our performance.



Agency Division

Reflects Walgreen Progress



Sound growth is apparent throughout the Walgreen Agency Drug Store operation. Independently owned and operated, selected for their prominence, progressiveness and high-standing in the smaller communities not serviced by our own stores, Agency Drug Stores benefit from the advanced merchandising methods and improved operating procedures developed by our com-

pany. They provide an expanded market for Walgreen-manufactured drug and cosmetic items, help build national acceptance of these products.

During the past year, our Agency Division reports increased sales volume, a substantial number of new store installations, numerous store remodelings.

